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THE MAGAZINE OF CORPORATE MANAGEMENT

SEPTEMBER 1989 $3.00

BUSINESS MONTH

SPECIAL REPORT

MEET AMERICA'S CORPORATE ALL STARS

Our First Annual Management Dream Team

LEADERSHIP

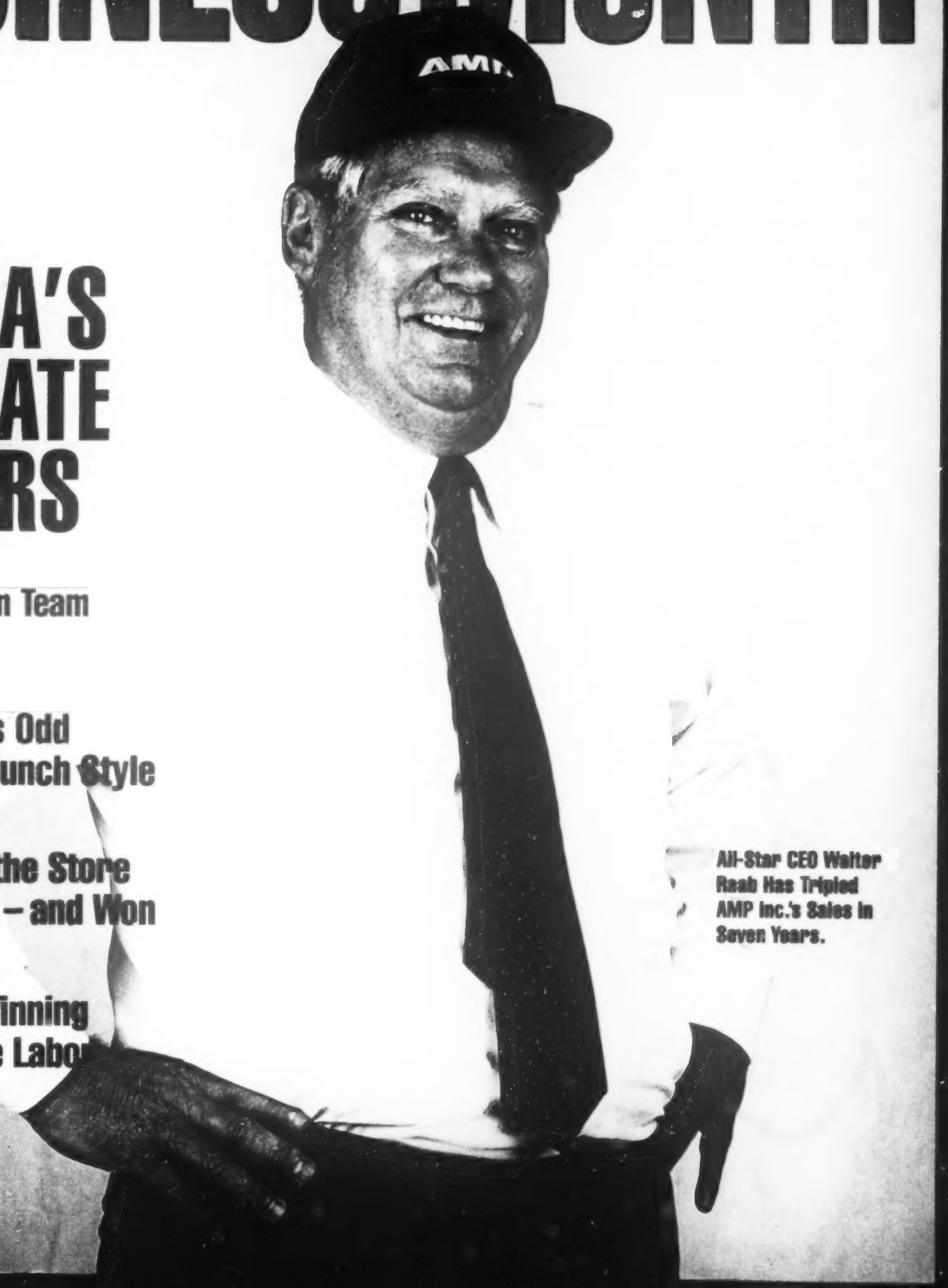
Harry Quadracci's Odd Management-by-Hunch Style

STRATEGY

How One CEO Bet the Store on Joint Ventures – and Won

RECRUITMENT

John Hancock's Winning Solution to Scarce Labo



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LETTERS

A NEW PARTNERSHIP

Your July issue centering on managing for the 1990s was fascinating and a good source of discussion about where business will be in the next decade. But I am disappointed that one new development—business partnerships with education—was only mentioned in passing.

The realization that the number of job applicants will be decreasing and a sense of urgency about upgrading the quality of this country's schools have led many businesses to consider forming partnerships with both primary and secondary schools. These partnerships help guarantee a better-educated work force to take up the challenges business will face in the 1990s and beyond. With companies getting flatter, the need for specialists increases, and the only place these specialists will come from is our schools.

RANDALL S. HANSEN
Tallahassee, Florida

THE WRONG APPROACH

Reading Leonard Silk's column on corporate culture (July), I am reminded of my experience in a large company that intentionally tried to change its culture. After about two years, nothing had changed.

I came away realizing that you cannot program the way people interact with one another and conduct business. Everyone in the organization, as if studying for a driver's test, quickly learned the rules and then went on doing things in the old way. Top management was just as quick to disregard what it was trying to do when it conflicted with day-to-day results.

FRANK PUCCIARELLI
Chief Financial Officer
Park Avenue Publishing
New York City

COAL GROUP'S REBUTTAL

In the article "Gearing Up for Reregulation" (July), Robert W. Crandall stated that the 1977 amendments to the Clean Air Act resulted in "a predictable increase in acid rain and a call for new legislation that may curtail all coal consumption." According to statistics from the Environmental Protection Agency, sulfur dioxide emissions from coal-fired power plants have been cut by 8 percent since implementation of the amendments. And between 1973 and 1987, when coal use grew by 85 percent, emissions declined by 21 percent.

The substantial pollution-abatement progress of the past two decades is well documented and will continue under existing law. If Congress acts to further accelerate emissions reductions, it will not be because the coal industry somehow shot itself in the foot. It will be because our lawmakers ignored the facts and bowed to pressure from special-interest groups that are pursuing their political agenda regardless of the benefit or cost.

DANIEL R. GERKIN
Senior Vice President
National Coal Association
Washington, D.C.

STOCKHOLDERS BEWARE

I disagree with Michael L. Pearce's response (Letters, July) to Leonard Silk's column on executive ethics (May). Pearce says that it "behooves us, our lawmakers, and our law enforcers to stop behaving as though corporations have consciences." Just one paragraph later, he rails against laws that "invariably punish the corporation, which is to say its stockholders." If stockholders are the corporation, is he implying that stockholders are without conscience?

The point is that stockholders invest in a risk situation. If they don't take ethical responsibility for their investment, they will be slapped with financial responsibility.

EVELYN EMAN
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MEMBER AUDIT BUREAU OF CIRCULATIONS

PERSPECTIVE

ON MANAGEMENT

Mi CPA Es Su CPA

CORPORATE CLIENTS CAN be pardoned if they view the rash of mergers between Big Eight accounting firms with some trepidation. If the two latest deals go through—Arthur Andersen hooking up with Price Waterhouse and Touche Ross with Deloitte Haskins & Sells—hard on the heels of the linkups between Ernst & Whinney and Arthur Young in July and Peat Marwick and KMG Main Hurdman two years ago, the Big Eight will shortly become the Big Five. Whether or not these mergers help the firms compete more effectively in the global marketplace, as the participants claim they will, they do present some potentially serious disadvantages for clients.

Now, CFOs who feel compelled to hire big-name firms face the possibility of major hikes in auditing and consulting fees. And if they don't like it, switching won't be easy, since there are fewer firms to choose from. Also, executives who have been through the merger mill themselves and know how rocky things can be when two former rivals try to work together have legitimate concerns about the quality of service they will get, especially in the early stages of consolidation.

Finally, auditors quick to raise red flags when they see clients' conflicts of interest are finding it remarkably easy to wink at those arising from the accounting-firm mergers. For example, Pepsico is an Arthur Young client, and Ernst & Whinney is privy to Coca-Cola's books. Pepsico says it doesn't mind that the two firms are now under the same corporate roof, but the possibility of its auditor sharing anything with a competitor's auditor can't be much of a confidence builder.

—*STEPHEN W. QUICKEL*

Japan Invests, America Buys

THE U.S. TRADE DEFICIT CANNOT IMPROVE DRAMATICALLY as long as capital spending by Japanese companies continues to run at twice what American companies spend. The more new plants and equipment that are installed in Japan, the greater its industrial output and the more pressing its need to keep exports high. Small wonder, then, that the U.S. trade deficit with Japan shows no sign of improvement, even though the worldwide trade gap has narrowed.

—*S.W.Q.*

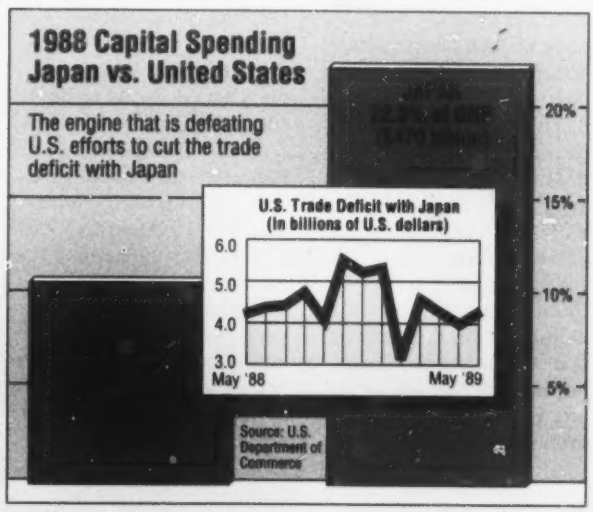


CHART DALE GLASGOW & ASSOCIATES; PHOTOGRAPH STEVE HILL

A Corporate Good Humor Man

My secretary was shocked the other day. Until now, she had always thought that a thesaurus was a prehistoric animal with a really large vocabulary.

"It's amazing, but an executive actually told that joke to a group of state clerical workers, and in one fell swoop managed not only to offend all women but also to tell an entire group of employees they were, as a breed, morons," says Malcolm Kushner, a humor consultant who specializes in teaching executives how to avoid such devastating miscalculations.

For Malcolm Kushner, making executives funny is a serious business.

In the five years since hanging out his shingle in Santa Cruz, California, Kushner has accumulated a sizable collection of such bad jokes as he travels around the country delivering one- and two-hour, $3,000 lectures on why humor is a valuable business tool—if you know how to use it. His clients include Pacific Gas & Electric, Digital Equipment Corp., and Hewlett-Packard.

He's never been a professional comedian—he was a practicing lawyer—and his only brush with performing

becoming CEO early last year, says that naming three COOs is "a progressive management approach" that "continues our process of removing management layers." In fact, nobody has been removed. Three men—electronics chief Kent Black, industrial automation chief Tracy O'Rourke, and aerospace chief Sam Iacobellis—still have their old jobs, with an added ceremonial title.

So what's Beall up to? A horse race for succession? Hardly. Beall, 50, will be running Rockwell for years to come. But maybe that is the progressive management approach: compensating Black, O'Rourke, and Iacobellis for the obvious lack of advancement potential. Anybody who tries to hire them away from Beall now is going to have to come up with a CEO job. Or a real COO job.

Or perhaps what Beall has done is create an office of the chairman—without having to call it that, since such joint-management arrangements look terrific on paper but usually produce more friction than profits. They have also been known to drive away truly talented top managers, which, it turns out, could be an innovative way to remove management layers. —*S.W.Q.*

Disabled Win At Pizza Hut

WAYNE EVANS IS THE kind of employee most fast-food restaurant managers have despaired of finding. He shows up on time every morning and plunges into his less-than-glamorous work: taking out the garbage, cleaning up the grounds, busing tables. Asked how he likes his job, Evans responds immediately, "I love it here."

What the world has always considered Evans's disability has become an asset for the Cranford, New Jersey, Pizza Hut where he works. Evans is mentally retarded. He is also part of a new trend in hiring practices. At a time when labor is scarce, the mentally and physically disabled have become an important untapped resource. There are over 8 million disabled Americans who want to work but do not, according to a 1985 Louis Harris & Associates survey.

Though most interest in the disabled has focused on the new capabilities they can acquire thanks to computer technology, the employers most eager to hire them are far from the high-tech world. "The biggest wave now," says Jay Rochlin, executive director of the President's Committee on Employment of People with Disabilities, "is from the industries most affected by the baby bust of the 1960s: hospitality, restaurants, retail."

Pizza Hut, after a successful experiment in its Orange County, California, restaurants, has established one of the most ambitious national programs, promising to hire 2,000 disabled people over the next three years. Steve Zivolich, a consultant at Integrated Resources who is managing the program, says 800 are already on board, holding virtually every position except cashier and waiter.

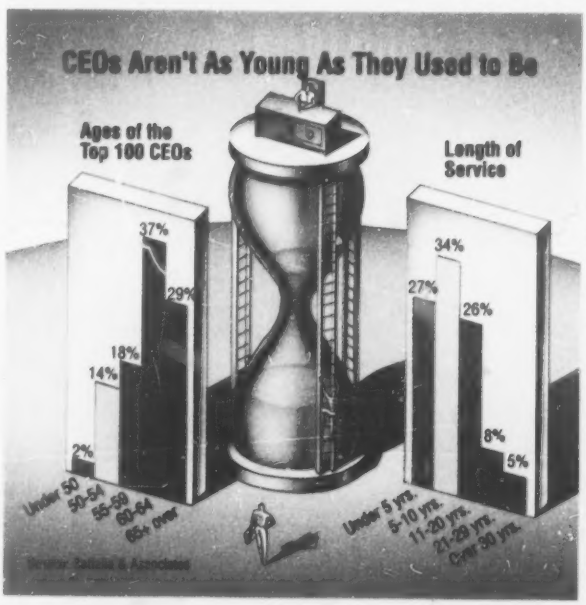
The hiring and training process is more complex for disabled than for non-disabled employees. They must be recruited through social-service agencies, which, Zivolich claims, "often have the attitude that these people aren't capable of working." Once recruited, they may require a "job coach" to ease them into the new routine. Such coaches, however, are provided and paid for by the agencies. Transportation can also be a formidable obstacle.

The payoff comes in reduced turnover. After three years, 70 percent of the disabled employees hired in the Orange County program were still on the job. In an industry that averages a 200 percent annual turnover, such a figure is indeed music to management's ears. —*C.M.*

CEO Turnover Made Easy

THE TREND IN CEOS THESE DAYS IS OLDER AND shorter. Not in height, mind you, but in tenure. It seems that boards of directors favor company chiefs in the last stages of their careers who won't hold power for very long. According to a study done by executive-search firm Battalia & Associates, "In the last decade, one-third of the top 100 industrial companies replaced their CEOs with men who were within arm's length of retirement." Throughout the 1940s and 1950s, CEOs commonly served 30 or 40 years. Now, the average CEO has about 10 years to make his mark on a corporation. The reason behind this shift? Boards believe that periodically infusing the executive suite with fresh blood gives it a better chance of competing in today's tougher, ever-changing market. And it's much easier—and cheaper—to accomplish this through retirement than through firing.

—*PAMELA KOFFLER*



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